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UNCLAS SECTION 01 OF 02 ULAANBAATAR 000382

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SUBJECT: Minister Claims U.S. Paid MP Bribes

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Ref: A) ULAANBAATAR 380, B) ULAANBAATAR 163

¶1. (SBU) SUMMARY AND COMMENT: Over the last week, Minister of Industry and Trade Jargalsaikhan appears to have made claims to different audiences (including the Cabinet and foreign mining company representatives) that USAID had paid several hundred thousand dollars to an MP for anti-corruption efforts, and that these payments amount to bribes. In McCarthyesque fashion, he has reportedly said he has proof of two payments of US\$120,000 and US\$250,000. MP S. Oyun has vigorously denied the claims, and, with multiple newspapers and electronic media repeating the falsehoods, the Embassy issued a statement on May 16 underlining that they are absolutely without any factual basis. Oyun, the leader of the small Civic Will Party (a key Embassy contact and the sister of murdered democracy movement leader S. Zorig), has publicly opined that Jargalsaikhan's reported statements reflect his personal animus toward her and are an effort to discredit her as she pushes for Parliament to enact effective anti-corruption legislation. It's an open question whether MPRP Prime Minister Enkhbold has the means or will to control the mercurial and garrulous Jargalsaikhan, a minor party leader rewarded with a Cabinet seat in exchange for supporting the new MPRP-led government in January. With Jargalsaikhan having made the scurrilous allegations, some other politicians may be happy enough to give them publicity, since Oyun attracts jealous sniping for her "Ms. Clean" image. The allegations also distract attention away from last Friday's surprise, sudden enactment by the Parliament of a minerals windfall profits law and mineral law changes currently under discussion. END SUMMARY AND COMMENT.

¶2. (SBU) According to a reliable source, Minister of Industry and Trade Jargalsaikhan asserted on May 16 that USAID had paid a bribe to Member of Parliament S. Oyun. The comment was made during a closed door two-hour meeting with foreign mining company representatives. According to the source, during the meeting Jargalsaikhan ranted at length on a large number of topics, and his comments often did not make logical sense. The Minister claimed that U.S. Embassy

officers are "Bolsheviks" helping the poor, adding that that many others are also Bolsheviks, including other MPs. Jargalsaikhan complained that the U.S. is creating anti-corruption programs, but then hastened to note that he isn't "for" corruption. The Minister said that USAID had funded Oyun under these programs, and asserted that this constituted a "bribe" to her. In other comments, Jargalsaikhan alleged that President Bush and the Embassy favor Democratic Party head Elbegdorj (who was Prime Minister until January) when it was then MPRP Prime Minister Enkhbayar who signed Mongolia up for the Coalition of the Willing in 2003.

13. (SBU) Jargalsaikhan's statements were not the first mention of such payments. On May 11, a published report in the inside pages of the MPRP party newspaper "Unen" reported that Jargalsaikhan had said during the May 10 Cabinet meeting that USAID had paid Oyun a bribe. The article claimed that the Minister, who had just returned from a trip to the U.S., asserted that he had proof that Oyun had received a total of \$370,000 from the USG for anti-corruption programs, and went on to describe the payments as a bribe. On May 11, Oyun held a press conference and vigorously denied that she received any such money. She commented that Jargalsaikhan was still angry with her over aborted efforts after the 2000 election to merge the Republican Party he heads with the Civic Will Party which Oyun heads. Oyun also told reporters that she intended to file a court action in response to the comments, and that she had asked for the official Cabinet record to see what exactly had been said. Oyun opined that the comments may also be a renewed effort to try to damage her reputation as she pushes for anti-corruption

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legislation. (NOTE: Due to broad immunities afforded Members of Parliament, Jargalsaikhan is largely beyond legal reach. This status protects him from a mid-90's default on a US\$14 million loan from a Japanese firm, Marubeni. See Ref B for bio and background.)

14. (SBU) After carefully reviewing all files and programs and after double-checking directly with Oyun herself, the Embassy, on May 16, issued a press statement stating that claims of USG funding of Oyun for anti-corruption programs are absolutely without factual basis. The statement came after "Unen" and the pro-government "Zuunii Medee" ran lengthy, similar articles in their May 16 editions which described the purported payments and asserted they amounted to bribes. The articles quoted unnamed sources as saying that when Minister Jargalsaikhan was in the U.S. recently to meet with the Millennium Challenge Corporation (MCC) regarding Millennium Challenge Account assistance to Mongolia, he was told by the MCC that MP Oyun had taken a total of US\$400,000 from USAID for an anti-corruption project and law drafting. (Note: Post understands Jargalsaikhan did not meet with MCC on the trip, which was a "private" trip.) The articles went on to raise questions about a tourist camp purportedly owned by Oyun's husband, and said that Jargalsaikhan had suggested that money from the supposed USAID grants was used to build it. On May 17, the Embassy's statement was printed without comment in Zuunii Medee and in other newspapers.

15. (SBU) After an unrelated meeting on May 17, Oyun told DCM and Poloff that she was uncertain who else other than Jargalsaikhan might be behind the spread in the newspapers of the allegations. She noted that her relations with the MPRP had been tolerable until January, since she had a working relationship with the Grand Coalition government. Since the MPRP had pulled down that government, however, there had been occasional nasty comments from MPRP quarters, which she

had ignored. She commented that she is waiting to see whether the media flurry over Jargalsaikhan's "bribery" allegations dies down; if they did, she would not press forward with her related court action.

SLUTZ